

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Michael Kubayanda, Vice Chairman;
Mark Acton;
Ann C. Fisher; and
Ashley E. Poling

Periodic Reporting
(Proposal Nine)

Docket No. RM2020-1

NOTICE OF PROPOSED RULEMAKING ON ANALYTICAL PRINCIPLES
USED IN PERIODIC REPORTING (PROPOSAL NINE)

(Issued November 4, 2019)

I. INTRODUCTION

On October 31, 2019, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports.¹ The Petition identifies the proposed analytical changes filed in this docket as Proposal Nine.

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Nine), October 31, 2019 (Petition). The Postal Service filed a notice of filing of non-public materials relating to Proposal Nine. Notice of Filing of USPS-RM2020-1/1 and USPS-RM2020-1/NP1 and Application for Nonpublic Treatment, October 31, 2019.

II. PROPOSAL NINE

Background. Proposal Nine relates to methodological changes for estimating facility-related costs. Petition, Proposal Nine at 1. The cost models were last presented in Docket No. ACR2018, Library References USPS-FY-18-NP15 and USPS-FY18-NP16, respectively. *Id.* The Postal Service acknowledges that because the extensive underlying data collection, analysis, and synthesis supporting this proposal ran relatively late into the year, the review is unlikely to be completed in time for FY 2019 Annual Compliance Report (ACR) preparation. *Id.* However, the Postal Service hopes to be able to incorporate the proposal into the ACR for FY 2020. *Id.*

The current methodology is based on data from a Facility Space Usage Study (FSUS) conducted in 1999 and presented in Docket No. R2005-1. *Id.* Since then, the Office of the Inspector General for the Postal Service recommended updating the FSUS. *Id.* The Postal Service's updated FSUS is the basis for Proposal Nine. *Id.*

Proposal and rationale. The Postal Service notes that it recognized the need for a new FSUS since many facility changes have occurred since the old study. *Id.* at 2. In the interim, several types of equipment used to process mail in 1999 no longer exist (e.g., the multi-line optical character reader input sub system, the mail processing bar code sorter output sub system, among others) while new processing equipment has been introduced (e.g., the automated flat-sorting machine model 100 and the automated package processing system). *Id.* Additionally, mail processing operations have been consolidated, bin capacity has increased over time, and network distribution centers have been activated in the meantime. *Id.*

Not only have extensive changes taken place in the mail processing network since 1999, but the Postal Service's delivery network has changed as well. *Id.* Due to the deployment of the Flats Sequencing System to some plants, flat mail pieces at some delivery units are sorted into delivery point sequence order. *Id.* Automated delivery unit sorters have also been deployed to some postal facilities for parcel sortation to the carrier route level. *Id.* at 2-3.

The Postal Service states that while it has updated its cost analysis annually to reflect the use of facility space, these adjustments were merely approximations. *Id.* at 3. The new FSUS provides a more comprehensive approach to estimating space proportions. *Id.*

The FSUS update process began with a data collection phase using sample statistics from 11 mail processing strata and 6 retail facility and delivery strata. *Id.* The sample statistics were then used to inflate the space data into population estimates using the “combined ratio” estimation. *Id.* This methodology was used to de-average the total electronic Facility Management System building gross square footage for postal managed buildings into space categories representing each operation and function. *Id.*

The Petition includes an updated facility file version from the FY 2018 ACD (attached as USPS-FY18-8) to the Postal Service’s Annual Compliance Review in Docket No. ACR2019. *Id.* at 4. The proposed new version is presented as Excel file “FACILITY19.PROP9.xlsx” (Facility File Workbook). *Id.* The Postal Service has modified the Facility File Workbook to remove redundant or outdated worksheets and includes the following 16 worksheets:

- Worksheet List Worksheet
- FSUS Results Worksheet
- MODS Data Worksheet
- Adjust FSUS Results Worksheet
- Rent Per Sq Ft Worksheet
- Change Factors Worksheet
- FSUS Facility Data Worksheet
- Equip Footprint Worksheet
- Equip Adjust Worksheet
- Remove Worksheet
- Deploy Worksheet

- Space Change Worksheet
- CRA Inputs Worksheet
- Outputs to CRA Worksheet
- POBox-Caller Service Split Worksheet
- Component Variability Worksheet

Id. at 4-12.

Impact. The Postal Service summarizes the impact of Proposal Nine to product volume-variable and product-specific costs for FY 2018 in a table attached to the Petition. *Id.* at 14. It also provides a comprehensive version under seal. *Id.* at 12.

III. NOTICE AND COMMENT

The Commission establishes Docket No. RM2020-1 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission's website at <http://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal Nine no later than December 20, 2019. Pursuant to 39 U.S.C. 505, Katalin K. Clendenin is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. RM2020-1 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Nine), filed October 31, 2019.

2. Comments by interested persons in this proceeding are due no later than December 20, 2019.
3. Pursuant to 39 U.S.C. 505, the Commission appoints Katalin K. Clendenin to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Darcie S. Tokioka
Acting Secretary